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January 7, 2019

Via Electronic Filing

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, SC 29210

RE: Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress,
LLC to Establish Green Source Advantage Programs and Riders GSA
Docket Number 2018-320-E

Dear Ms. Boyd:

Please find attached for electronic filing *Initial Comments* on behalf of the South Carolina Coastal Conservation League (CCL) and Southern Alliance for Clean Energy (SACE) in the above-referenced matter.

Please contact me if you have any questions concerning this filing.

Sincerely,

/s/ Stinson W. Ferguson
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Southern Alliance for Clean Energy*

Enclosures
CC (w/encl.): Parties of Record

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2018-320-E

In the Matter of:)	
)	
)	
Petition for Approval of Green)	COMMENTS OF SOUTH CAROLINA
Source Advantage Programs and)	COASTAL CONSERVATION
Riders GSA)	LEAGUE AND SOUTHERN
)	ALLIANCE FOR CLEAN ENERGY
)	
)	

The South Carolina Coastal Conservation League and Southern Alliance for Clean Energy (collectively, “Conservation Groups”) file the following comments on Duke Energy Progress, LLC’s (“DEP”) and Duke Energy Carolinas, LLC’s (“DEC”) (collectively, “Duke” or “the Companies”) October 10, 2018 Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC to Establish Green Source Advantage (“GSA”) Programs and Riders GSA (“Application”).

The Conservation Groups support the availability of a well-designed renewable energy procurement program for non-residential customers in the Companies’ South Carolina service territories. However, Duke’s proposed GSA Program contains program design elements that the Conservation Groups believe will prevent large portions of non-residential customers from participating and that are inconsistent with the public interest. Duke should also be required to clarify certain provisions of its proposed GSA Program, including how the program would interact with the Companies’ proposed Green Source

Advantage Program currently pending approval before the North Carolina Utilities Commission (“North Carolina GSA Program”).¹

As discussed below, the Conservation Groups respectfully request that, if the Commission approves Duke’s proposed GSA Program, the Commission require Duke to make the following changes or clarifications:

- (1) Clarify that the program capacity is *additional* to the North Carolina Green Source Advantage program capacity;
- (2) Include an additional fixed GSA Bill Credit option, set at Duke’s administratively-determined avoided cost rate;
- (3) Allow GSA Customers to procure renewable energy to meet 125% of their *annual* energy usage, rather than 125% of their *maximum* annual peak demand;
- (4) Decrease the threshold contract demand for GSA Customers from 3 MW to 1 MW to allow greater access to the program;
- (5) Provide a range of GSA Service Agreements terms, up to 20 years;
- (6) File a proposed GSA Service Agreement for Commission and intervenor review.

1. Duke’s Proposed Green Source Advantage Program.

In its Application, Duke proposes a Green Source Advantage Program (“GSA Program”) for the Companies’ South Carolina service territories. Duke plans to allocate 113 MW of GSA Program capacity for its DEC service territory and 37 MW of GSA Program capacity for its DEP service territory. The GSA Program would be available for eligible non-residential customers with a contract demand (i) equal or greater than 3 MW or (ii) at multiple service locations that, in aggregate, is equal to or greater than 5 MW. GSA Customers would be allowed to procure renewable energy capacity up to 125% of

¹ See North Carolina Utilities Commission, Docket Nos. E-2, Sub 1170 and E-7, Sub 1169, *Duke Energy Progress, LLC’s and Duke Energy Carolinas, LLC’s Petition for Approval of Green Source Advantage Program and Rider GSA to Implement N.C. Gen. State. § 62-159.2*.

the GSA Customer's aggregate maximum annual peak demand of the previous 12-month period.

Under Duke's proposal, a GSA Customer would enter into a three-party GSA Service Agreement with a Renewable Supplier and with Duke, which would set forth (i) the GSA Facility from which the Companies will be procuring renewable energy on behalf of the GSA Customer; (ii) the GSA Bill Credit that the participating GSA Customer will receive on its bill; (iii) the GSA Product Charge that the GSA Customer will pay to DEC or DEP; (iv) the assignment of payments among the Company, the GSA Customer and the Renewable Supplier; and (v) the administrative charges required to participate in each GSA Program. Application, para. 6.

The GSA Customer would negotiate with the Renewable Supplier regarding the GSA Product Charge (i.e. the PPA price the GSA Customer would pay and that the Renewable Supplier would receive for the duration of the GSA Agreement), and the GSA Customer would receive a monthly GSA Bill Credit from Duke based on the Companies' variable "Hourly Rate" as defined in Rider GSA. Application, para. 13, 16.²

² In Proposed Rider GSA, Attachment A, DEC states:

Hourly Rate = (Hourly Energy Charges + Rationing Charges).

- i. Hourly Energy Charge = Expected marginal production cost, and other directly-related costs.
- ii. Rationing Charge = marginal capacity cost during hours with generation constraint.
- iii. The Hourly Rate will not, under any circumstance, be lower than zero.

In Proposed Rider GSA-2, Attachment B, DEP states:

The Hourly Rate shall be determined based upon the following formula:

Hourly RTP Rate = MENERGY + CAP where:

MENERGY = Marginal Energy Cost per kilowatt-hour including marginal fuel and variable operating and maintenance expenses

CAP = Tiered Capacity Charge per kilowatt-hour applicable whenever the day-ahead forecast of the ratio of hourly available generation to hourly demand is equal or less than 1.15.

As discussed further below, Duke's proposed GSA Program is substantially similar to a proposed settlement currently before the North Carolina Utilities Commission ("NCUC") between Duke and Walmart Stores East, LP and Sam's East, Inc. ("Walmart") in Duke's North Carolina Green Source Advantage proceeding.³ Other parties to the North Carolina proceeding have not agreed to the settlement, and the NCUC has not yet issued a ruling in the proceeding.

2. Duke Has Not Explained How the North Carolina GSA Program Will Impact Duke's South Carolina GSA Program.

Duke requests that the Commission allow GSA Facilities to be located in the Companies' respective South Carolina and North Carolina service territories. Application, para. 5. As the Companies note in their Application, renewable energy legislation enacted in North Carolina in 2017⁴ required Duke to file an application for a renewable energy procurement program that is currently pending approval in the North Carolina Utilities Commission.⁵ The North Carolina GSA Program includes 600 MW of renewable energy capacity, and in Duke's petition for program approval before the NCUC, Duke proposed to allow projects participating in the North Carolina GSA Program to be located in either its North Carolina or South Carolina service territories.⁶

Duke has not explained how the proposed 150 MW of renewable energy capacity (DEC: 113 MW; DEP: 37 MW) for the South Carolina GSA Program would interact with any North Carolina GSA Program capacity that is located in South Carolina. Because the

The hourly RTP rate will not, under any circumstances, be lowered than zero.

³ See North Carolina Utilities Commission, Docket Nos. E-2, Sub 1170 and E-7, Sub 1169, *Agreement and Stipulation of Partial Settlement Docket Nos. E-2, Sub 1170 and E-7, Sub 1169* (August 16, 2018).

⁴ See North Carolina Session Law 2017-192 ("H.B. 589").

⁵ North Carolina Utilities Commission, Docket Nos. E-2, Sub 1170 and E-7, Sub 1169, *Duke Energy Progress, LLC's and Duke Energy Carolinas, LLC's Petition for Approval of Green Source Advantage Program and Rider GSA to Implement N.C. Gen. State. § 62-159.2*.

⁶ *Id.*, para. 46.

Companies are requesting to recover the cost of the GSA Bill Credit through the respective fuel rates in both states, Duke should clearly explain whether the 150 MW included in its Application is additional to the 600 MW included in the North Carolina GSA Program or whether the 150 MW may represent capacity that is included as part of the North Carolina GSA Program capacity. The Conservation Groups recommend that the South Carolina GSA Program capacity be additional to the North Carolina GSA Program capacity. But at a minimum, Duke should clarify the proposed interaction between the two programs.

3. Duke's Proposed Bill Credit is Insufficient and Will Limit GSA Program Participation.

Duke's Application includes a GSA Bill Credit that will be paid to participating GSA Customers. Application, para. 16.⁷ As proposed, the GSA Bill Credit would be set at the "day-ahead real-time hourly rate as calculated by DEC or DEP, based upon the methodology specified in the applicable tariff for the full duration of the GSA Service Agreement ('Hourly Rate')." Application, para. 16.

The Hourly Rate amounts to a variable bill credit over the duration of the GSA Service Agreement. Unlike the GSA Product Charge, which would be negotiated by the GSA Customer and the Renewable Supplier and may be fixed for the duration of the GSA Service Agreement, the Hourly Rate Bill Credit would change daily for the duration of the GSA Service Agreement. As a result, while the GSA Customer would know how much it is paying under the GSA Product Charge each month, it would not know how much it will receive through the GSA Bill Credit. This will create financial uncertainty for participating customers.

⁷ The GSA Bill Credit would initially be paid to the Renewable Supplier, but the Bill Credit would be assigned to the GSA Customer through the GSA Service Agreement.

Significantly, this Hourly Rate Bill Credit is nearly identical to the Bill Credit included in a proposed settlement in the North Carolina GSA Program proceeding between Duke and Walmart.⁸ Although some large customers, like Walmart, may be in a position to manage the financial risk associated with a variable rate like the Hourly Rate Bill Credit, other eligible non-residential customers may be unable to do so. Tellingly, in the North Carolina GSA Program proceeding, no other intervenor—including Google, Apple, the University of North Carolina at Chapel Hill, and the U.S. Department of Defense—has agreed to support the Hourly Rate Bill Credit included in the proposed Walmart settlement.

While the Conservation Groups do not oppose the Hourly Rate Bill Credit as one option available to GSA Customers, this variable rate should not be the only available Bill Credit. In addition to the Hourly Rate Bill Credit, GSA Customers should have the option to receive a GSA Bill Credit based on Duke's applicable Commission-approved avoided cost rate, fixed for the duration of the contract. For example, if a GSA Customer entered into a 10-year GSA Service Agreement, the Customer would receive a Bill Credit set at Duke's 10-year avoided cost rate, fixed for the duration of the contract. This avoided cost rate will hold non-participating customers neutral and will provide the opportunity for commercial customers who do not have the risk management capability and sophistication of Walmart to take advantage of the cost savings, marketing, and organizational benefits of access to self-negotiated renewable energy contracts.

In its Application, Duke proposes to recover the cost of the GSA Bill Credit through fuel rates, in the same way that Duke recovers avoided cost payments made to

⁸ North Carolina Utilities Commission, Docket Nos. E-2, Sub 1170 and E-7, Sub 1169, *Agreement and Stipulation of Partial Settlement by and between Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, and WalMart Stores East, LP and Sam's East, Inc.* (August 16, 2018).

PURPA qualifying facilities. Application, para. 24. Duke states that “GSA Facilities will not directly serve the GSA Customers, but instead will be system supply resources used to serve all native load customers” and “[b]ecause GSA Facilities will be system supply resources, the cost of the energy and capacity generated by GSA Facilities should be recoverable from all jurisdictions and customers.” Application, para. 8, 24.

Because the cost that Duke actually avoids through GSA Facility generation is the cost to serve all native load customers, the Bill Credit that GSA Customers receive should be based on the avoided cost rate that this Commission has determined represents Duke’s avoided cost to serve native load customers. A GSA Customer’s option to choose this avoided cost Bill Credit, fixed for the duration of the GSA Service Agreement, appropriately balances non-participating customer neutrality with GSA Customers’ need for a Bill Credit that is fixed and predictable for the duration of the contract.

4. Duke Fails to Justify its 3 MW and 125% Customer Demand Limitations.

Duke’s Application requires GSA Customers to have a contract demand (1) equal or greater than 3 MW or (2) at multiple service locations that, in aggregate, is equal to or greater than 5 MW. Application, para. 8. In comparison, the North Carolina GSA Program statute, H.B. 589, allows customers with a contract demand equal or greater than 1 MW to participate.⁹ Duke’s proposed 3 MW threshold for participation in the GSA Program will unnecessarily limit participation by smaller non-residential customers. In its Application, Duke references “significant interest from large commercial and industrial customers concerning green tariff programs,” but Duke fails to explain or justify the 3 MW threshold for participation. Application, para. 4. Because Duke

⁹ See North Carolina Gen. Stat. § 62-159.2(a). (The NC GSA Program is available to “new and existing nonresidential customers with either a contract demand (i) equal to or greater than one megawatt (MW) or (ii) at multiple service locations that, in aggregate, is equal to or greater than five megawatts (MW).”)

proposes that the GSA Program will be cost-neutral for non-participating customers, allowing smaller non-residential customers to participate in the program will not impact non-participating customers and will support non-residential customers' "preferences for more direct, financial connection to renewable energy projects." Application, para. 3. Duke has not provided any compelling reason to limit program availability amongst non-residential customers of the same customer class. The GSA Program, if approved, should allow customers with contract demands equal to or greater than 1 MW to participate.

Duke's Application also limits renewable generation capacity that may be procured through the GSA Program to 125% of the GSA Customers' aggregate maximum annual peak demand of the previous 12-month period prior to the date of application. Application, para. 11. This 125% tracks the procurement limitation in H.B. 589.¹⁰ However, GSA Customers procuring 125% of their maximum annual peak demand still may not be able to meet institutional renewable energy goals, because the 125% is not linked to the customer's actual energy usage. For example, a customer with 3 MW annual peak demand would be permitted to procure energy from up to 3.75 MW (3 MW multiplied by 125%) of renewable energy capacity. However, energy generated from a GSA Facility of this size might only represent a portion of the GSA Customer's actual energy usage. As a result, this 125% limitation may be insufficient for GSA Customer with 100% renewable energy goals. To address this issue, Duke's GSA Program should allow Customers to procure up to 125% of the customers' most recent annual energy usage, rather than peak demand.

¹⁰ *Id.* § 62-159.2(c).

5. Duke Should Allow GSA Service Agreements up to 20 Years.

Duke's Application limits the GSA PPA maximum contract term to 15 years. Application, para. 9. Duke has not explained or justified why it limits GSA contracts to 15 years, and it has not indicated whether GSA participants may also enter into contracts of shorter duration. In contrast, the North Carolina GSA Program statute requires Duke to offer contracts with terms ranging from 2 to 20 years.¹¹

In the North Carolina GSA Program proceeding, Duke has agreed to offer terms of 2, 5, 10, 15, and 20 years in response to comments by large non-residential customers and the Public Staff, who advocated for greater flexibility in contract duration.¹² Duke should permit GSA contracts up to 20 years in South Carolina as well and should expressly allow contracts of shorter duration. Allowing a range of GSA contract terms, including up to 20 years, will provide additional flexibility for participating customers and will more closely align with the useful life of GSA Facilities.

6. Duke Should File a GSA Service Agreement for Intervenor and Commission Review.

Duke refers to the GSA Service Agreement throughout its Application and in Rider GSA and Rider GSA-2, but the Companies have not included a proposed GSA Service Agreement in its application. Duke should be required to provide the GSA Service Agreement that it will use in the GSA Program for Commission and intervenor review. The GSA Service Agreement will include material terms and conditions that will significantly impact GSA Program viability. Potential participants – including GSA

¹¹ *Id.* § 62-159.2(b).

¹² North Carolina Utilities Commission, Docket Nos. E-2, Sub 1170 and E-7, Sub 1169, *Reply Comments of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC*, at 32 (April 20, 2018).

Customers and Renewable Suppliers – should have the opportunity to review and provide comment on these applicable terms and conditions.

For example, Duke’s Application states that “GSA Customers desiring to participate in a GSA Program must comply with the credit requirements set forth in the GSA Service Agreement.” Application, para. 14. Duke should be required to specify what credit requirements will be required of GSA Customers and provide interested parties the opportunity to comment on the proposed credit requirements. The GSA Service Agreement will also contain other significant terms and conditions, including, among others, details regarding GSA Service Agreement termination or default, and the rights and obligations of the parties under these circumstances; and Duke’s intent to assert dispatch or curtailment rights upon GSA Facilities. Potential GSA Program participants should have the opportunity to weigh in on the terms and conditions that will materially impact their ability to participate in the GSA Program.

7. Conclusion.

For the reasons described herein, the Conservation Groups respectfully request that before approving the GSA Program, the Commission require Duke to make the changes or clarifications to its proposed GSA Program described above. The Conservation Groups’ proposed changes will make the GSA Program more accessible and more transparent for Program participants, are consistent with the public interest, and will support the significant interest from large commercial and industrial customers for a renewable energy tariff in South Carolina.

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Respectfully submitted this 7th day of January, 2019.

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STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2018-320-E

In re: Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC to Establish Green Source Advantage Programs and Riders GSA)))))	CERTIFICATE OF SERVICE
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I certify that the following persons have been served with a copy of the *Initial Comments* by electronic mail and/or U.S. First Class Mail at the addresses set forth below:

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This the 7th day of January, 2019.

s/ Lauren Fry
Lauren Fry
Southern Environmental Law Center